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FISCAL IMPACT REPORT

SPONSOR Stewart DATE TYPED 02/04/05 HB HJR 12

SHORT TITLE Statewide Millage Rate for Schools, CA SB _____

ANALYST Ford

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		See Narrative		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Joint Resolution 12 proposes to amend the state constitution to increase the maximum limit of mills that can be levied on property without a special election, and to impose the first 2 mills statewide with the revenue dedicated to public school funding. The proposed constitutional amendment is subject to approval by the voters.

Significant Issues

Currently, the total maximum property tax levy for operating purposes is \$20.00 per \$1,000 of net taxable value. If approved by the voters, the proposed constitutional amendment would raise the property tax levy limit from \$20.00 to \$22.00. An increase of \$2.00 will be imposed statewide and will be deposited in the state's public school fund and distributed as provided by law.

According to PED, current law provides for the Public School Fund distribution to schools in the following parts:

- state equalization guarantee distribution

- transportation distribution
- supplemental distributions
- out-of-state tuition
- emergency and
- program enrichment.

FISCAL IMPLICATIONS

According to TRD, the additional two mills will generate approximately \$70 million for the public school fund. TRD writes, "Statewide net taxable value is currently approximately \$34.9 billion. The property tax system currently provides schools with approximately \$287 million in revenues annually. Hence voter approval of the proposed amendment would increase property tax revenues flowing to schools by about one-third. Additional revenues would most likely begin flowing to schools in the tax year following voter approval in the 2006 election. That would be property tax year 2007, with collections beginning in the Fall of 2007."

OTHER SUBSTANTIVE ISSUES

TRD raises a technical issue with the language of House Joint Resolution 12:

"It is unclear from the language of the proposed amendment whether the yield control statutes would apply to the new 2-mill levy. The proposed amendment departs from the traditional method of imposing property tax levies in New Mexico. The New Mexico constitution currently states simply that 20 mills may be authorized without voter approval. Section 7-37-7 NMSA 1978 then distributes 11.85 of the 20 mills to counties, 7.65 to municipalities, and .5 mills to school districts to be used for operating purposes. Section 7-37-7.1 subjects all of these impositions to the yield control formula. Since the proposed amendment imposes the levy directly, the yield control statute would not apply unless Section 7-37-7 were amended to incorporate reference to the new levy."

According to TRD, the yield control statute was development to prevent government entities from receiving windfall revenues in response to reassessment. The formula has the effect of lowering the actual property tax operating rates. TRD provides the following county information:

Actual (ie. "Yield Controlled") and Imposed County Property Tax Operating Rates, 2004 Tax Year

<i>County</i>	<i>Rate Imposed</i>	<i>Actual Operating Rates**</i>	
		<i>Residential</i>	<i>Nonresidential</i>
Bernalillo	11.850	7.031	11.600
Catron	10.850	10.850	7.706
Chaves	10.350	6.856	10.307
Cibola	11.850	7.656	11.618
Colfax	10.350	5.298	8.722
Curry	9.850	9.850	9.850
DeBaca	11.850	11.850	11.850
Dona Ana	11.850	7.891	11.850
Eddy	7.500	6.448	7.500
Grant	11.850	6.377	11.850
Guadalupe	11.850	7.417	11.850
Harding	10.850	7.830	10.850

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Hidalgo	11.850	10.999	11.850
Lea	8.600	8.814	10.600
Lincoln	11.600	7.676	8.850
Los Alamos	8.850	4.356	6.615
Luna	11.850	8.343	11.850
McKinley	11.850	5.215	11.850
Mora	11.850	6.414	11.850
Otero	11.850	7.190	11.850
Quay	11.850	5.358	10.350
Rio Arriba	11.850	4.034	8.569
Roosevelt	8.850	5.650	8.850
San Juan	8.500	6.161	8.000
San Miguel	11.850	5.212	11.850
Sandoval	10.350	5.393	9.287
Santa Fe	11.850	4.617	9.861
Sierra	11.850	8.161	11.850
Socorro	11.850	7.356	11.071
Taos	11.850	5.168	11.050
Torrance	11.850	11.396	11.850
Union	9.150	6.505	9.150
Valencia	11.850	6.087	11.850

*11.85 mill maximum allowed by statute less the imposed rate.

**imposed rate after application of the yield control limitation
required by statute.

EF/lg